

INITIAL STATEMENT OF REASONS/PLAIN ENGLISH
OVERVIEW/NON-CONTROLLING SUMMARY

REGULATION 1671.1, DISCOUNTS, COUPONS, REBATES, AND OTHER INCENTIVES

Proposed Regulation 1671.1 interprets and explains how to establish the measure of tax with respect to transactions involving discounts, coupons, rebates, and other incentives.

Specific Purpose

The purpose of the proposed regulation is to interpret, implement, and make specific Revenue and Taxation Code sections 6011 and 6012. This proposed regulation is necessary to provide guidance to that portion of the public which is affected by these statutes.

Factual Basis

Proposed Regulation 1671.1 clarifies: (1) the general application of tax to transactions involving discounts, coupons, rebates, and other incentives; and (2) the specific application of tax to revenue from discounts, coupons, rebates, and other incentives that retailers receive from persons other than purchasers.

In recent years, retailers have expressed confusion regarding the application of tax to certain transactions involving discounts, coupons, rebates, and other incentives. The Board concluded that Regulation 1671.1, Discounts, Coupons, Rebates, and Other Incentives, should be adopted to interpret, implement and make specific Revenue and Taxation Code sections 6011 and 6012 with regard to such transactions.

Pursuant to Government Code section 11346.5(a)(7), the Board of Equalization finds that the adoption of the proposed regulation will not have a significant adverse economic impact on private businesses or persons. The regulation is proposed to interpret, implement, and make specific the authorizing statutes in the context covered by the regulation for greater ease of understanding. These changes will clarify the interpretation or administration of the sales and use tax laws. Therefore, the Board has determined that these changes will not have a significant adverse economic impact on private businesses or persons.